

Draft Alternative Plans for the Estes Park Health Living Center

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The list of 19 alternative plans for the Estes Park Health Living Center (EPHLC) below was compiled from suggestions in emails and letters from the Estes Valley Community as well as from the Estes Park Health (EPH) Senior Leadership Team and the EPH Board of Directors.

The EPH Senior Leadership Team and the EPH Board of Directors preliminarily placed the alternative plans into one of three categories: 1. Not Feasible, 2. Unlikely, or 3. Possible But Challenging. Each alternative plan includes the reason for placing the alternative plan in one of these three categories.

1. Not Feasible

1.1. Close the EPH hospital, keep EPHLC open

The mission of EPH is to serve our entire community of about 13,500 residents and visitors. The 28 residents in the EPHLC and their families are a part of the 13,500 members of our community. This was not considered to be a feasible alternative plan.

1.2. Close the Urgent Care Center to pay for EPHLC

Based on data since its opening at the end of May 2020, the Urgent Care Center provides an important, effective, and considerably less expensive alternative to the Emergency Department for members of our community and visitors. As in alternative plan 1.1 above, the mission of EPH is to serve our entire community of about 13,500 residents. The 28 residents in the EPHLC and their families are a part of the 13,500 members of our community. Given the importance of the urgent care services provided to large numbers of our community, this was not considered to be a feasible alternative plan.

1.3. Make Private pay and Insurance cover EPHLC financial losses

Eighteen (18) of the 28 current EPHLC residents are funded by Medicaid. Medicaid will not pay more than their standard rate. For those funded by insurance, the insurance companies will not pay more than their negotiated rate. It is not realistic or just to cost shift the expected EPHLC financial loss of \$1.4 million in 2020 to the small number of private pay residents in addition to what they currently pay. This was not considered to be a feasible alternative plan.

1.4. Reduce EPHLC staffing to reduce expenses and make EPHLC break even

Current EPHLC staffing is consistent with the required baseline staffing model. Any reduction from current EPHLC staffing would adversely affect the quality of care, so this was not considered to be a feasible alternative plan.

1.5. Move EPHLC to a different location, reducing expenses so EPHLC breaks even

The cost to construct an alternative 48 bed facility for EPHLC in a different location has been estimated to be in the range of \$22 to \$25 million, and it is not clear that the alternate location operational expenses would be significantly lower. Given the significant estimated cost and uncertainty about where the construction and operations funding would come from, this was not considered to be a feasible alternative plan.

1.6. Create an endowment that could cover EPHLC financial losses

The expected EPHLC financial loss in 2020 is \$1.4 million. It is anticipated the annual loss will continue to increase over time. So, assuming a 4% annual return on the endowment, it would require an endowment of about \$50 million to cover the annual EPHLC operational loss. Given the anticipated challenge of raising an endowment of this size, this was not considered to be a feasible alternative plan.

1.7. Get charitable contributions to cover EPHLC financial losses

If the \$1.4 million EPHLC financial loss for 2020 continues or increases as anticipated, it would be necessary to raise charitable contributions of \$1.4 million or more every year to cover these losses. Given the large charitable contributions needed on into the future and the general understanding of the practical limitations of charitable fundraising in our community, this was not considered to be a feasible alternative plan.

1.8. Get grant funding to cover EPHLC financial losses

Grant funding organizations generally do not fund operational expenses. Like the charitable contributions alternative plan in 1.7 above, it would be necessary to apply for and get grant funding of \$1.4 million or more annually to cover anticipated EPHLC operational losses. Given the large grant funding needed annually and the understanding that grant funding organizations generally do not fund operational expenses, this was not considered to be a feasible alternative plan.

1.9. Advertise to attract more residents to EPHLC, so it EPLC breaks even financially

Based on experience in other locations, advertising can change the public perception of a nursing home, but it has not increased the bed occupancy percent. This was not considered to be a feasible alternative plan. Also see 2.4 below, that to break even, 10 beds would need to be added to the current 38 bed capacity at an estimated cost of \$10 million.

1.10. Wait to see if EPH financial performance returns to pre-pandemic levels so EPH can resume subsidizing EPHLC

First, EPH revenues are not expected to recover beyond the current forecast of 80% of pre-pandemic levels. The expectation that 80% of pre-pandemic levels is expected to be the “new normal” is based on multiple expert financial forecasting sources. So, EPH’s capacity to subsidize EPHLC losses is not expected to be restored. Second, EPHLC’s anticipated financial losses, like the \$1.4 million loss forecast for 2020, are expected to continue and increase. Considering these two expectations, this was not considered to be a feasible alternative plan.

2. Unlikely

2.1. Sell EPHLC to a national corporation

Five regional or national organizations with deep experience owning and running continuity-of-care facilities including skilled nursing facilities were approached about the possibility of purchasing and running the EPHLC. None were interested. Some mentioned that the small size of EPHLC would make its financial viability questionable, and another mentioned that skilled nursing facilities as a service are in long-term decline and are therefore not a good investment. This was considered an unlikely alternative plan.

2.2. Get national experts to manage or consult EPHLC to financial health

One of the largest not-for-profit providers of senior housing and services in America was contracted for 19 months to manage EPHLC with the expectation that, using their expertise, EPHLC's financial performance would improve. During their management of EPHLC, financial performance did not improve, and percent beds occupied declined. Given this experience, this was considered an unlikely alternative plan.

2.3. Offer new EPHLC programs so more beds are occupied, EPLC breaks even

Even if new EPHLC programs offered could attract additional residents, 10 beds would need to be added to the current 38 bed capacity at an estimated cost of \$10 million (see 2.4 below) for EPHLC to be able to break even. This was considered an unlikely alternative plan

2.4. Increase the EPHLC number of beds so, if occupied, EPHLC breaks even.

EPHLC is not able to fill currently available beds, so adding additional beds will not solve the problem of an anticipated \$1.4 million loss in 2020, and similar losses into the future. But to consider the alternative plan, the current EPHLC bed capacity is 38, and the number of beds required to be occupied to break even has been estimated at 48 beds. It has been estimated that construction to add beds would cost about \$1 million per bed, or \$10 million to add 10 beds. EPH, facing a \$7.5 million loss in 2021 and considering significant and difficult expense reductions to remain financially viable, is not in a position to invest \$10 million to add beds to EPHLC, especially in light of EPHLC having beds currently available it does not fill. This was considered an unlikely alternative plan.

2.5. Other programs in EPHLC space could generate revenue to cover EPHLC financial losses

The 2020 EPHLC loss is expected to be \$1.4 million. We were not able to identify programs or services that could be offered in available EPHLC space that could generate revenues even remotely approaching \$1.4 million annually.

2.6. Increase property tax (mill levy) support to cover EPHLC financial losses

Succeeding with mill levy (property tax) elections is the most difficult type of funding election according to the George K Baum election consultant who assisted with the Estes Valley Recreation and Park District (EVRPD) mill levy election for the EVRPD Community Center. An election for a mill levy increase is a Taxpayer Bill of Rights (TABOR) election. In terms of timing, according to Joe McConnell with the Colorado Department of Local Affairs, TABOR elections for Special Districts like EPH can only be held on the first Tuesday of November or during a regularly scheduled Special District election. As a result, the earliest TABOR election could be held in November of 2021, with the next opportunity being May 2022.

The last mail ballot election for EPH Board members cost about \$30,000. Legal advice is needed to craft TABOR-compliant ballot language, another expense. Based on past experience, the cost of the campaign for a mill levy increase would be at least \$15,000 for campaign mailings and other materials.

Mill Levy elections tend to have higher voter turnout, increasing the number of voters needed to approve the property tax increase. The table below shows some recent local mill levy election results.

Mill Levy Election History in the Estes Valley									
Organization	Ballot	Year	Month	# Voters Registered	Percent Turnout	Votes For	% Votes For	Votes Against	% Votes Against
Estes Valley Recreation and Park District		2005	Nov	8,467	52%	2,101	47.0	2,332	53.0
Estes Valley Recreation and Park District	Larimer County Ballot Issue 4C	2008	Nov	8,280	81.9	3,516	53.0	3,180	47.0
Estes Valley Recreation and Park District	Larimer County Ballot Issue 4D	2008	Nov	8,280	80.7	3,109	47.0	3,570	53.0
Estes Park School District R3	Larimer County Ballot Issue 3A	2013	Nov			2,206	48.6	2,329	51.4
Estes Valley Library District	Larimer County Ballot Issue 5A	2013	Nov			2,349	51.3	2,227	48.7
Estes Valley Recreation and Park District	Larimer County Ballot Issue C	2015	Nov	9,307	54.8	2,630	51.6	2,467	48.4
Estes Valley Recreation and Park District	Larimer County Ballot Issue D	2015	Nov	9,307	54.8	2,661	52.3	2,423	47.7
Estes Park School District R3	Larimer County Ballot Issue 3A	2017	Nov			2,196	52.3	2,002	47.7

The results show mill levy elections are closely contested with few votes separating the total of votes for and against, there is relatively high voter turnout, and the number of votes in favor needed to prevail with about 9,800 eligible voters in a mail ballot EPH election would likely be in excess of 2,700.

TABOR elections have ballot language requirements that emphasize the total cost to the potential taxpayers. An effective campaign in favor of a mill levy increase would need to convince about 2,700 property owners in the district that increasing their property tax support for EPH would be a good value. Assuming the expected 2020 EPHLC loss of \$1.4 million would be the target to be covered by an increase mill levy, and the current mill levy generates about \$2.7 million, property tax support would need to increase by 52% to cover an annual \$1.4 million loss. Current residential property tax support for EPH is about \$54 per \$100,000 of property value. With current District median residential value of about \$400,000, 50% of residential property owners would expect to pay at least \$108 additional per year to support the EPH subsidy of EPHLC. Property other than residential would pay about 3.6 times more, or at least \$389 annually.

The other important issue would be how the EPHLC financial loss would be covered until a mill levy increase election in 2021 or 2022. Our assessment was that with the challenges to accomplishing a mill levy increase coupled with the fact that an election could not be held for a year or two make this an unlikely alternative plan.

2.7. Establish a sales tax to cover EPHLC financial losses

While succeeding in a sales tax election is slightly easier than a mill levy election, both are TABOR elections with the same challenges described in section 2.6 regarding mill levy elections above. As a result, this was also considered an unlikely alternative plan.

3. Possible, But Challenging

3.1. Gradually close EPHLC to minimize resident disruption

This may merit additional discussion. The key considerations would include:

3.1.1. Defining the duration of the gradual close.

3.1.2. Determining if new residents would be accepted.

3.1.3. Determining the threshold number of residents required for needed care and programming.

3.1.4. Determining how operating losses would be covered as resident numbers and revenues decline.

3.1.5. Determining the threshold level of revenues needed for continued viability.

3.2. Create a non-profit independent of EPH that could build and operate a new EPHLC facility

Both Tim Cashman and Vern Carda have had indirect experience with this approach. After forming a non-profit to build and operate a new EPHLC facility, the challenge would be funding construction and operations. To construct a 48 bed nursing home would probably cost in the range of \$22 to \$25 million. Nursing homes generally operate at a loss, so if the facility were stand-alone, an endowment to generate funds to cover the losses or some external subsidy (mill levy, sales tax) to cover the losses would be needed. Alternatively, the national model that seems to work is a Continuing Care Retirement Community with integrated independent living, assisted living, and nursing care services. In this model, funding from the independent living and assisted living services are used to subsidize the nursing care services. This continuity of care model requires considerable capital to establish.